United Nations A/C.5/57/SR.10

General Assembly
Fifty-seventh session
Official Records

Distr.: General
10 January 2003
English
Original: French

Fifth Committee

Summary record of the 10th meeting
Held at Headquarters, New York, on Thursday, 17 October 2002, at 10 a.m.

Chairman: Mr. Dragulescu (Vice-Chairman) ..... (Romania)

Contents

Agenda item 110: Financial reports and audited financial statements, and reports of the Board of Auditors (*continued*)

This record is subject to correction. Corrections should be sent under the signature of a member of the delegation concerned *within one week of the date of publication* to the Chief of the Official Records Editing Section, room DC2-750, 2 United Nations Plaza, and incorporated in a copy of the record.

Corrections will be issued after the end of the session, in a separate corrigendum for each Committee.

02-64503 (E)

In the absence of Mr. Sharma (Nepal), Mr. Dragulescu (Romania), Vice-Chairman, took the chair.

The meeting was called to order at 10.10 a.m.

Agenda item 110: Financial reports and audited financial statements, and reports of the Board of Auditors (*continued*) (A/57/5 (vols. I, III and IV) and Corr.1, 2 and 3, A/57/5/Add.1-9 and Corr.1, A/57/5/Add.10 and Corr.2, A/57/5/Add.11 and Corr.1 and 2, A/57/5/Add.12 and Corr.1, A/57/201, A/57/416 and A/57/439)

1. **Ms. Merchant** (Norway) expressed appreciation to the Board of Auditors for the quality of its work, which it had maintained despite the ever-increasing demands made of it. Out of necessity, the Board had had recourse to outside expertise; her delegation stressed the need to commit adequate resources to its activities and agreed with the Advisory Committee on Administrative and Budgetary Questions (ACABQ) that the audit fee should be examined in the context of consideration of the proposed programme budget for the biennium 2004-2005 as it affected the scope of coverage and quality of audits. The task of Member States would also be made simpler if the Board's reports were available well in advance of the beginning of the Committee's work; the Advisory Committee had rightly noted that better communication and planning would help ensure timely publication of those reports.

2. Her delegation was pleased to note the forthcoming establishment of criteria for the Audit Operations Committee's evaluation of the results of implementation of the Board's recommendations. She urged organizations which had not fully complied with those recommendations and, in particular, with outstanding recommendations from 1996-1997 or earlier, to take action in that regard.

3. Her delegation was pleased that none of the Board's opinions were qualified, but noted that it had issued modified audit opinions in respect of 5 out of 16 cases. It was concerned at the deteriorating financial position of the United Nations Office for Project Services (UNOPS); its attention had also been drawn to the modified opinion in the case of the United Nations International Drug Control Programme (UNDCP) concerning the lack of procedures for ensuring completeness and timeliness in recording field obligations in conjunction with the United Nations Development Programme (UNDP). Significant improvements had been made in the area of nationally executed expenditure, which was a key modality of organizations such as UNDP, the United Nations Population Fund (UNFPA) and the Office of the United Nations High Commissioner for Refugees (UNHCR); however, her delegation shared the Board's concern at the shortcomings in controlling and monitoring the efficient utilization of funds for the purposes intended.

4. Her delegation had taken note of the need for improvement in certain organizations' accounting methods, and was particularly concerned that some of them lacked provisions for end-of-service benefits and operational and financial reserves or overspent despite diminishing income. She urged those organizations to intensify their efforts to increase income while containing expenditure within reasonable limits and to institute managerial improvements in order to restore the confidence of contributing partners.

5. Her delegation concurred with the Board's recommendations on the administration of trust funds and, in particular, requested that further action should be taken to review and close those which were inactive and no longer required. A monitoring system should also be implemented in order to prevent overexpenditure.

6. The Board had made equally important recommendations on management issues, particularly the recommendation that a comprehensive, United Nations-wide review of the use of information and communication technology (ICT) should be undertaken with the aim of coordinating efforts in the best interests of Member States from the point of view of cost-effectiveness and cost-benefit.

7. An example of the constructive role played by audits and other oversight mechanisms was that of UNHCR, where the adoption of an annual audit cycle had facilitated efforts to improve financial management and increase transparency and efficiency. Her delegation noted that of the 13 recommendations made in the audit for the year 2000, six had been implemented and seven were under implementation. It welcomed the measures already taken and expected UNHCR to take the necessary action to complete full implementation of the remaining recommendations.

8. In the case of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), five of the recommendations contained in

the Board's report for the biennium ending on 31 December 1999 had been implemented and three had been under implementation at the time when the Board was preparing its current report; only one had not been implemented. There had been a significant improvement in the situation of UNRWA as compared with the biennium 1998-1999; through strict financial management and cost containment, it had achieved a net excess of income over expenditure of US$ 7.4 million for its regular budget activities. Her delegation trusted that UNRWA would follow up on the Board's recommendations, especially those which invited it to review disclosure of costs incurred for work in progress; evaluate headquarters operating costs in order to further optimize resources; strengthen its efforts to recover the outstanding tax reimbursement of US$ 26.8 million; and make further appeals to the relevant administrations to fully accept the tax-exempt status of the Agency.

9. **Mr. Wittmann** (United States of America) requested that the great effort already made to submit the reports of the Board of Auditors before the Committee began its work should be increased so that delegations would have time to consult with their capitals. Generally speaking, his own delegation supported the opinions expressed by the Board and the Advisory Committee, and was pleased that some of the Board's new recommendations had been immediately accepted by the administrations of the bodies in question. The new standardized presentation of the status of previous recommendations was an improvement, since it provided a consistent means of evaluating performance across the board. However, his delegation remained concerned at the substance of some of the Board's findings and by the failure to implement some recommendations. As the Board had recommended to the Office of Programme Planning, Budget and Accounts, inactive trust funds and programmes should be terminated so that the resources allocated to them could be reapplied; 61 trust funds had made no expenditures during the biennium 2000-2001 and 24 of them showed nil balances.

10. His delegation was also concerned at the absence of certain essential documents and at inconsistencies in accounting policy. Monitoring and evaluation units and substantive offices did not always have essential evaluation reports on file; other bodies reportedly did not properly track funds received and paid during project implementation; and voluntary contributions pledged were recorded differently for a general trust fund than for a technical cooperation fund.

11. He noted the seemingly precarious financial situation of many bodies for which expenditures exceeded income (including the International Trade Centre, the United Nations Institute for Training and Research (UNITAR), the United Nations Environment Fund (UNEP), the United Nations University and UNOPS); in his country, such deficit operations would be grounds for a reprimand. Budgets should be adjusted to fit the income available; if the latter was insufficient, the body in question should request additional resources from donors or generate them through economies.

12. There were few guidelines on the use of consultants, and those that existed were inconsistently applied. A contract setting forth contractors' duties and responsibilities must be signed before they began work, and that work must be evaluated before payment was made in order not to waste Member States' funds.

13. The United States agreed with the Board's recommendation that the Office of Programme Planning, Budget and Accounts should harmonize the United Nations Finance Manual with the United Nations system accounting standards in order to address the inconsistencies in the accounting treatment of different sources of funding and that portions of the Manual which technical innovations had rendered obsolete should be reviewed.

14. He noted that 54 per cent of implementing partners of the United Nations Fund for International Partnerships (UNFIP) had failed to submit their final narrative reports within the specified time limit. His delegation continued to advocate evaluation of programmes within specified periods in conjunction with harmonization of key terms.

15. His delegation supported the development of a risk management and accountability strategy for the Integrated Management Information System (IMIS), but was sceptical as to the need to develop specific timetables for the implementation of information technology reforms. The recommended measures to minimize the opportunities for error and foul play presented by the current IMIS application controls should be taken as soon as possible.

16. He welcomed the improvement in the international tribunals and, in particular, the auditors' use of a more

consistent approach than in previous audits. His delegation fully endorsed the recommendation that the tribunals should implement completion strategies; it was essential for them to set goals and time frames for fulfilling their mandates. It also endorsed the Board's recommendations on reforming the legal aid system, and it was concerned at the exponential increase in defence costs at the International Criminal Tribunal for Rwanda and at the number of counsel changes during the reporting period. It continued to condemn fee splitting, and urged the registrars to enforce explicit prohibitions of that practice and to dismiss those who participated in it, as the Rwanda Tribunal had begun to do. Lastly, the tribunals should have on-site auditors and investigators as required by the General Assembly at its fifty-sixth session.

17. The report of the Board on the United Nations University (A/57/5, vol. IV) stated that researchers' salaries were not reflected in the summaries of budget provisions and total expenditures for projects because there was no policy for the allocation of those costs. His delegation would like to know how that issue would be resolved in the future.

18. Another area of particular concern was the financial viability of UNOPS, which would be unable to continue to fund in full any deficit from its operational reserve since it was budgeting at break-even level for 2002. The Advisory Committee had rightly noted that if Member States wanted UNOPS to continue as a separate entity, steps would have to be taken to ensure its viability.

19. His delegation would like to be kept informed of the measures taken to reduce the cumbersome nature of the dual-currency procedures used by the International Trade Centre and of its progress in shifting to IMIS.

20. In conclusion, he paid tribute to the dedication of the auditors and their staff and said that he expected the managers of the Organization to take the Board's conclusions and recommendations seriously.

The meeting rose at 10.30 a.m.